



STAKEHOLDER GROUP MEETING - SYNOPSIS

MEETING DATE: **4/21/2008**

ATTENDEES: PETE CONSTANT, CHAIR

MEMBERS: LORIE BIRD, ELIZABETH BRIERLY, CARL COOKSON, YOLANDA CRUZ, PAT DANDO, PATRICIA GARDNER, ERNIE GIACHETTI, HOOSHANG HOMARA, JOSHUA HOWARD, CHARLES JONES, MICHELLE LEW, BOBBIE LOPEZ, STEVE MOORE, DAVE PERSSELIN, ED RAST, JEFF RUSTER, JAN SCHNEIDER, RANDY SEKANY, BUU THAI, KEN WILLEY, SUZANNE WOLF

ABSENT: BOB BROWNSTEIN

RESIGNED: LISA RIGGS, KERI PROCUNIER McLAIN

STAFF: DEBRA FIGONE, CITY MANAGER, HARRY MAVROGENES, EXECUTIVE DIRECTOR REVEVELOPMENT AGENCY, JANE LIGHT, CITY MANAGER'S LIAISON, SHAWN SPANO, FACILITATOR.

Welcome/Introductions/Process Overview

- Councilmember Constant called the meeting to order at 6:05 p.m. by welcoming everyone.
- The City is in its seventh year of budget deficits with many more years of projected deficits ahead.
- The Stakeholder Group will look at the urgent strategies that have already been identified, but can also propose other strategies that have not yet been identified.
- City Manager Debra Figone stated her role is to listen carefully, ask questions, and interject when helpful. The Structural Budget Deficit is an important task to address because the deficits are preventing the City from providing the level of service the City wants to provide. City staff is flexible and adaptable to ensure this process fits the City and Stakeholder Group needs. Staff presentations will give context but are not meant to limit or be a barrier thoughts.
- City Manager Figone clarified that the Council must take action by August 5 Council Meeting to put items on the November 2008 ballot.
- Councilmember Constant stated the Stakeholder Group will meet in July despite legislative break to discuss time-sensitive issues.
- Stakeholder Group members introduced themselves.

- Shawn Spano will facilitate meetings to help the group cover all of the information needed and guide the conversations. He is a Professor in the Communications Department at San Jose State University and a consultant.

“SETTING THE MEETING CONTEXT” Presentation

(<http://www.sanjoseca.gov/StakeholderGroup08.asp>) (Slides 2-5).. April 21

Presentation: Shawn Spano

- Overview of the six-month process and purpose of 4/21/08 meeting. Step 1 of the process will begin today. Discussion of advantages and concerns of the Urgent Strategies.
- Steps 2 and 3 will follow in June and will cover advantages and concerns of the remaining identified strategies, as well as other strategies that the group may identify.
- The group represents diverse interests, perspectives, and expertise. The goal is to bring this diversity together to come up with ideas that represent the knowledge of all the stakeholders at the table.
- Stakeholder Group input will be included in the City Manager’s 3 Year General Fund Structural Deficit Elimination Plan report that will go to the Council in November.
- Presentations on 5 of the 10 urgent strategies will be discussed at this meeting. The focus is to provide a context and framework to understand these strategies
- At the end of each presentation the Stakeholder Group will ask questions and then list the “Advantages and Concerns”.
- The materials included in the Stakeholder Group binders and cited with weblinks on the meeting agenda provide extensive information.
- Meeting schedule was reviewed. All meetings are in the Committee Rooms at City Hall (Wing 118-120) except on April 28 and September 22. On these dates the meeting will take place at the King Library, Room 229 (2nd floor). Meeting attendees can park at City Hall garage or Fourth Street garage (4th Street and San Fernando) and receive parking validation.
- Absences will be excused if you email in advance Councilmember Constant (pete.constant@sanjoseca.gov) or Jane Light (jane.light@sanjoseca.gov).

“PREPARING TO DISCUSS STRATEGIES” Presentation: Shawn Spano
(<http://www.sanjoseca.gov/StakeholderGroup08.asp>). April 21 Presentation (Slides 4-5).

- Staff will talk about budget strategies; provide objective analysis to provide information to the group.
- The group will drive the conversation. Staff is prepared to go deeper, if you want staff to clarify information. Staff is also prepared to give the group evaluation of the strategies. It will depend on the level of discussion the group wants.
- Councilmember Constant asked the group to focus on the concept of the strategy rather than on implementation details.
- Group is here to discuss Questions/Concerns/Advantages of the proposed strategy.

“INTRODUCTION TO THE GENERAL FUND DEFICIT ELIMINATION PROJECT”
Presentation: Andy Belknap, Management Partners

(<http://www.sanjoseca.gov/StakeholderGroup08.asp>). April 21 Presentation (Slides 6-18).

Belknap reviewed the components of the deficit, revenue and expenditure trends, the categories into which strategies fall, and the list of those strategies that fall into the “Timing Urgency” and “Immediate Opportunity to Implement” All the strategies are consistent with Council goal of eliminating the budget deficit. That ruled out a lot of the economic development strategies, because those take time to produce revenue results.

Urgent Strategy 1A “UTILIZE FINANCIAL STRATEGIES THAT HAVE POSITIVE NET PRESENT VALUE.” (<http://www.sanjoseca.gov/StakeholderGroup08.asp>). April 21 Presentation (Slides 19-30). Scott P. Johnson, Finance Director

STRATEGY		1A: Utilize Financial Strategies that have positive Net Present Value (NPV) : Annual Prepayment of city's Pension Obligation			
	ADVANTAGES			CONCERNS	
1.	Less administration?		1.	Less administration?	
2.	Pension funds invested for – greater ROI than City's Timing & discount		2.	“True Up” reconciliation at year end – overpayment details	
3.	Retirement funds have good record of making/exceeding planned returns & stable returns		3.	Cash flow	
4.	Could be done one year at a time		4.	Financial Risk – All funds for year invested at one time (no dollar cost averaging)	
5.	Rate of Return for City is now about 4.6%; retirement funds get substantially higher rate				

Urgent Strategy 1B “UTILIZE FINANCIAL STRATEGIES THAT HAVE POSITIVE NET PRESENT VALUE”. (Slides 19-30) (<http://www.sanjoseca.gov/StakeholderGroup08.asp>). April 21 Presentation (Slides 30-36). Scott P. Johnson, Finance Director

STRATEGY		1B: Utilize Financial Strategies that have positive Net Present Value (NPV) : City to Issue Pension Obligation Bonds			
	ADVANTAGES			CONCERNS	
1.	Create jobs for San Jose		1.	Outsource versus in-house; additional staffing resources required	

2.	Bond rate fluctuations could be a benefit if they go lower		2.	If interest rate increases, lose some savings –at risk for interest rates spike
3.	City can time bond issuance to be favorable		3.	Cost to issue, administer debt service, etc. (analyze gross & net costs to know all costs)
			4.	Would it have impact on City's bonding capacity?
			5.	Using return as credit that reduces City contribution/"smoothing" policy over 5 years

Smoothing Policy: Any gains or losses over or above on any assumed rate of return are captured in the actuarial and smoothed over a 5 year time period. We assume City's current policy of smoothing gains. For example, if we assumed 8% and got 13%, we would only credit 1% for 5 year.

Stakeholder Suggestion: As a new strategy, can we can look at Smoothing?
Concern is how the smoothing works & can it be done differently to reduce deficit?

Stakeholder Suggestion: What if we reduce our "funding" target on the Police Plan, since we are so close to full funding, and then take that money to fund GASB requirements?

Urgent Strategy 2 "FORMALIZE AND IMPLEMENT A RIGOROUS ASSETMANAGEMENT PROGRAM" Presentation: Katy allen, Public Works Director (<http://www.sanjoseca.gov/StakeholderGroup08.asp>) April 21 (Slides 31-37).

STRATEGY		2: Formalize and Implement a Rigorous Asset Management Program		
	ADVANTAGES			CONCERNS
1.	Could break asset management into pieces and implement over time – get some fast-tracked for		1.	Facility rent/use by nonprofits: <ul style="list-style-type: none"> - Facility occupancy, full/partial? - Community center reuse

	"big bucks" results			- Long-term plan for development
2.	Mgmt Partners report: \$15M (up to) for sale of property +/- \$3M per year for addtl rent/lease income		2.	Address key issues of use/business via policies
3.	Policy makes it possible to manage assets, overlay with inventory		3.	Look at 'Sunshine' definition of tax subsidies
4.	Potential of longer leases, more stability for nonprofits		4.	Lease facilities under-utilized – look at more shared bldgs, include in inventory the market rate
5.	Look at private enterprise help – expertise here		5.	Outsource versus in-house costs for program development and management
6.	Maximize use of facilities – partnerships, etc. – combined uses		6.	
7.	Consider looking at zoning etc, to expedite and maximize		6.	Re-investing savings to enhance remaining properties – should be included in analysis
8.	Prioritize largest most valuable assets		7.	Consider limitations of assets (size of convention center, specialized use facilities) include in analysis
9.	Policy could look at businesses City is in – should City be in the business or not?		8.	Businesses involved – do we need to be in that business
10.	Dovetail Asset Management Policy with Facilities re-use policy		9.	Timing of strategy too long – should be 2-3 month timeline

Urgent Strategy 3 “IMPLEMENT AN EMPLOYEE SUGGESTION AND PROCESS STREAMLINING PROGRAM” Presentation: Mark Danaj, Human Resources Director (<http://www.sanjoseca.gov/StakeholderGroup08.asp>) (Slides 38-44). This strategy was referenced in the Management Partners Report under Service Delivery Model Change #7pp 94-98.

STRATEGY		3: Implement an Employee Suggestion and Process Streamlining Program		
	ADVANTAGES			CONCERNS
1.	Capture ability and knowledge of employees		1.	Timing between suggestion and evaluation feedback – timely response required
2.	Energizing to employees		2.	Program laying dormant for last 5 years – constant marketing, evaluation needed
3.	Gives employees power over things that frustrate them		3.	Employee engagement – in spite of morale – leadership from administration to encourage engagement
4.	Opportunity to interact with other depts and with City Senior Staff		4.	Need venue outside department for ideas to be considered
			5.	Allow employee to be part of implementation – morale improvement

Urgent Strategy 4 “ENSURE CURRENT FEES FULLY COVER ALL COSTS”

Presentation: Joe Horwedel, Director of Planning, Building and Code Enforcement (<http://www.sanjoseca.gov/StakeholderGroup08.asp>). (Slides 45-51) Management Partners Report, pp66-68.

STRATEGY		4: Ensure current fees fully cover all costs		
	ADVANTAGES			CONCERNS
			1.	Blurred line between fees & taxes
			2.	Don't charge fees for City core services
			3.	Don't create fees that lead to administration fee to get to cost recovery
			4.	Fees getting in the way of Job formation, retention, growth
			5.	Making it difficult for growth in retail sales tax, jobs
			6.	Raising fees could deter business
			7.	Bus Tax Admin Fee should be considered with restructure of Business Tax
			8.	Surpluses of fees collected – bring in line with expenses
			9.	Business inquiry that don't come back because of costs
			10.	Balance – unintended consequence of losing businesses
			11.	Attacking small businesses

Advantages/concerns/questions can be emailed to pete.constant@sanjoseca.gov in the subject line write Stakeholder Group. He will forward questions to the administration.

Public Comment: Councilmember Pierluigi Oliverio addressed the group, thanking Stakeholder Group members for their service. Encouraged members ask hard questions to find a nonpolitical solution to this budget deficit.

Closing: Next meeting on April 28 will be held at the Dr. Martin Luther King Jr. Library. The discussion of Urgent Strategies will be continued. Members were thanked for their time and service. Meeting was adjourned at 9:05 p.m.